

SOUTH CENTRAL SCHOOL DISTRICT NO. 406
King County, Washington
September 1, 1991 Through August 31, 1993

Schedule Of Findings

1. District Officials Should Limit Expenditures To Appropriations

Expenditures of the South Central School District's General Fund exceeded appropriations in fiscal year 1991-92. The General Fund budget was \$10,123,579 while actual expenditures were \$11,367,551 resulting in an overexpenditure of \$1,243,972. These excess expenditures are contrary to the limitations contained in RCW 28A.505.150 which states in part:

Total budgeted expenditures for each fund as adopted in the budget of a school district shall constitute the appropriations of the district for the ensuing fiscal year and the board of directors shall be limited in the incurring of expenditures to the grand total of such appropriations. The board of directors shall incur no expenditures for any purpose in excess of the appropriation for each fund.

The General Fund overexpenditure was primarily caused by district management refinancing capital leases and not discovering the over-expenditures until after the deadline for making budget amendments.

The effect of these overexpenditures was the public was denied the opportunity to comment on this use of funds and district officials incurred expenditures in excess of appropriations for which they could be personally liable.

We recommend district officials closely monitor expenditures and amend the budget when necessary to ensure expenditures do not exceed appropriations.

SOUTH CENTRAL SCHOOL DISTRICT No. 406
King County, Washington
September 1, 1991 Through August 31, 1993

Schedule Of Federal Findings

1. School District Officials Should Establish And Implement Payroll Charge Allocation Procedures In Compliance With Chapter 1 Time And Effort Requirements

Our audit of time and effort reports submitted by the individual school officials indicated a lack of adequate documentation to support payroll charges to the Chapter 1 program. This documentation included both the information supplied by school officials and that prepared by the program administrator.

Chapter 1 and other remedial programs are operated throughout the district's 5 schools. Individual school officials are required to submit monthly time reports, signed by the employee and supervisor, reflecting the teacher's time allocated to the program(s). These reports are summarized by month. From this, a final time and effort report is prepared for the quarter. These reports were compiled into a summary report indicating the percentage of total hours worked by the employees that should be charged to the Chapter 1 and other programs. The district's payroll staff received these reports in the month following the applicable quarter. The calculated percentage was applied to the next 3 months' payroll to determine program charges. No adjustment was made to payroll costs charged to the Chapter 1 program based upon the actual time spent by the teachers during a given time period.

District officials divided the responsibility for monitoring and reporting of time and effort hours among several reporting areas - individual school officials, the Chapter 1 program manager, and the district administrative payroll office staff. Since the last biennium audit for the fiscal years ended 1991 and 1990, district officials modified their procedures; however, the new procedures are not in compliance with the requirements as set forth in Office of Management and Budget (OMB) Circular A-87.

Due to lack of adequate supporting documentation, it is not determinable if the charges to the program for payroll are correct. It does appear, however, services were performed to the expected level of both federal and state awards. Thus we are not questioning costs associated with these payroll charges.

The federal OMB Circular A-87 - *Cost Principles For State and Local Governments*, Attachment B, Allowable Costs - 10(b): "Payroll and Distribution of Time" states in part:

. . . Payrolls must be supported by time and attendance or equivalent records for individual employees. Salaries and wages of employees chargeable to more than one grant program or other cost objective will be supported by appropriate time distribution records. The method used should produce an equitable distribution of time and effort.

District officials were and are aware of the requirements to maintain an accurate system for charging actual time to federal award programs based upon time and effort records. They believed their system met these requirements.

The current system utilized by district officials increases the potential for payroll charges to be allocated to the wrong award and dedicated funds to be spent for other than the mandated purposes.

We recommend district officials adopt policies and procedures to accurately calculate and support payroll charges, including the following:

- 1) Enforce and monitor the monthly filing of time and effort reports, signed by the employee and supervisor.
- 2) Cease preparing charges based upon quarterly reports rather than correctly completed monthly time and effort reports.
- 3) Establish accounting procedures which establish the accuracy of the reports by verifying that the time and effort report agrees to the hours submitted by the location.